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ABSTRACT

State education agencies are allowed to retain up to 20 percent of the funds they receive from the federal government through the block grant provisions of the Education Consolidation and Improvement Act. A review by the General Accounting Office (GAO) of the United States of the uses to which these retained funds were put in California and Washington failed to determine the amount of block grant funds used for administration. The block grant regulations allow the states to use their own procedures for managing their block grant programs. As a result, no nationally applied set of definitions or classifications of programs or activities has been developed, nor have the accounting systems in the two states examined required that all programs using block grant funds use uniform reporting procedures. Comparisons between states and among state programs are therefore practically impossible. The GAO did determine that the state education agency budgets in California and Washington rely less than the average state on federal aid, that the two states' budgets rely more on block grant funds, and that fewer block grant funds are used to administer the block grant program in these two states than in the average state. Some options for reducing use of block grant funds at the state agency level are offered. The letter requesting the GAO study is appended, as are tables of state and national financial data relevant to the report. (PGD)

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United States General Accounting Office

GAO

Report to Congressional Requesters

May 1985

EDUCATION BLOCK GRANT

How Funds Reserved for State Efforts in California and Washington Are Used

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GAO

United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-214417

May 13, 1986

The Honorable Augustus F. Hawkins
Chairman, Subcommittee on Elementary,
Secondary, and Vocational Education
Committee on Education and Labor
House of Representatives

The Honorable William F. Goodling
Ranking Minority Member
Subcommittee on Elementary, Secondary,
and Vocational Education
Committee on Education and Labor
House of Representatives

The Honorable David R. Obey
House of Representatives

In response to your May 16, 1985, request and later discussions with your offices, this is our report on the use of that portion of the Education Block Grant funds reserved for state education agencies in California and Washington.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time we will distribute copies to the Secretary of Education and other interested parties. Copies will also be made available to others upon request.

Richard L. Fogel

Richard L. Fogel
Director

Executive Summary

Purpose

A member of the House Appropriations Committee and the Chairman and Ranking Minority Member of the House Education and Labor Committee's Subcommittee on Elementary, Secondary, and Vocational Education asked GAO to examine the uses of Education Block Grant funds retained by state education agencies. An objective was to determine how much was used to support a state agency's administrative functions.

The congressional requesters provided a list of specific questions to guide GAO in its fieldwork (see app. I). GAO developed these questions into three areas of inquiry:

- The significance of Education Block Grant funds to state education agencies.
- The number of state personnel supported by Education Block Grant funds.
- The classification and accounting of state education agencies' uses of block grant funds to support their activities, by specific uniform categories—including administrative costs.

GAO did its work only in California and Washington. On the basis of past GAO block grant reviews, GAO and the requesters agreed that the questions would be difficult to answer and problems experienced in measuring administrative costs in these two states would not differ substantially in other states.

As requested, GAO also developed several options that the requesters might consider if they believed it would be appropriate to restrict states' uses of block grant funds for the support of administrative activities.

Background

Under the Education Block Grant (Chapter 2 of the Education Consolidation and Improvement Act), state education agencies may retain up to 20 percent of a state's allocation. The remainder must be allocated to local education agencies. The law places few restrictions on how the state education agencies may use their share of the funds. The Department of Education does not require states to report how they use the funds they receive in any consistent format. GAO attempted to identify the extent to which Education Block Grant funds were used to support the administration of state education agencies in California and Washington.

Results in Brief

GAO was unable to estimate the amount of block grant funds used for administration due to the absence of standardized definitions of administration and the different manner in which the two states accounted for their funds.

To obtain consistent information on the amount of block grant funds used for state administrative activities, the federal government would have to define administrative costs and require states to report information consistent with that definition. Such action would provide a more uniform national picture of the use of block grant funds, but it would increase state administrative burdens and be contrary to the block grant philosophy, which encourages states to use their own procedures to manage the program.

Principal Findings

Role of Federal Aid

Nationally, federal aid makes up about 42 percent of a state education agency's budget, on average, after the funds passed through to local education agencies are excluded. Federal aid in both California and Washington are below this national average. The block grant, on average, makes up about 6 percent of a state education agency's budget. This figure is 6.8 percent in California and 12.6 percent in Washington. While the block grant is not a major share of their budgets, state education officials said that the program is important because of the discretion it provides in the use of funds. (See ch. 2.)

The block grant is used to fund the salaries of some state education employees. About 4 percent of California's and 14 percent of Washington's education agency staff are supported with block grant funds. Few of these staff are used to administer the program; the bulk are used to implement other state programs. Only the equivalent of 1.7 and 2.3 employees are funded through the block grant to administer the program in California and Washington, respectively. In dollar terms, California uses 1 percent of its block grant to administer the program and Washington uses about 9 percent. Both are below the national average of 11.3 percent. (See ch. 3.)

Classifying and Accounting for States' Uses of Funds

California and Washington maintain their accounting records by state program and organizational unit, not by federal funding source or type of activity. As a result, GAO had to rely on state program officials to

classify their activities into five categories provided by the congressional requesters. In the absence of standardized definitions for these categories and comparable record-keeping practices, the classifications were subjective and inconsistent both within and between the two states. As a result, GAO was unable to classify and account for state education agencies' uses of block grant funds for administrative costs.

GAO's findings are consistent with its past work. In previous studies of administrative costs in other programs and in the 1981 block grants, it was unable to quantify or compare state administrative costs. (See ch. 4.)

Recommendations

GAO has no recommendations. If the requesters believe it would be appropriate to restrict states' uses of block grant funds for administrative purposes, four possible options are suggested:

- Prohibit funding of state administrative activities with block grant funds.
- Place a cap on the funding of administrative activities with block grant funds.
- Decrease the amount or percentage of funds to be retained by the state education agency.
- Place a floor on the amount or percentage of block grant funds to be spent on specific programmatic activities.

Each of these approaches has strengths and weaknesses, which are discussed in more detail in chapter 5. GAO does not endorse any one approach.

State Agency Comments

GAO discussed the information developed during its review with state education agency officials in California and Washington. Officials from both states said that they were generally satisfied with the information presented, but Washington officials said the information did not adequately reflect the overall benefits of the block grant program at the state level. This, however, was outside the scope of the GAO review.

As agreed with the requesters, we did not obtain official comments from the Department of Education, which is responsible for administering the block grant.

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Abbreviations

CCSSO	Council of Chief State School Officers
FTE	full-time equivalent
LEA	local education agency
NASBE	National Association of State Boards of Education
SBE	state board of education
SEA	state education agency

Introduction

In 1981, the Congress enacted the Education Consolidation and Improvement Act. Chapter 2 of the act consolidated 38 programs into a single block grant to the states (20 U.S.C. 3811-3862). The block grant is to be used for the same general purposes as the antecedent programs but is to be allocated in accordance with educational needs and priorities determined by state and local education agencies.

The law requires states to distribute at least 80 percent of the block grant funds to local education agencies (LEAs); the other 20 percent is reserved, or set aside, for state use in supporting state and local programs authorized in the law. Funding was authorized for 5 years, from July 1, 1982, to September 30, 1987. For fiscal year 1985, $500 million was allocated to the states for Chapter 2 programs, of which the states planned to retain $92.7 million, or 18.5 percent.

Although the law places few restrictions on how funds reserved for the states may be used, in 1984 and 1985 the House Committee on Appropriations expressed concern that these set-aside funds were being used for state agencies' general internal operating expenses and to subsidize activities that should be the financial responsibility of the state legislatures, such as funding the operation of state boards of education. The Chairman and Ranking Minority Member of the Subcommittee on Elementary, Secondary, and Vocational Education, House Committee on Education and Labor, and a member of the House Appropriations Committee asked us to develop information on how states were using their Chapter 2 block grant funds (see app. I).

Of the nine block grants passed in 1981, five were enacted with statutory restrictions, or caps, on how much funding states may use for administrative costs. These caps ranged from 2 to 10 percent of a state's total allocation.[1] The Education Block Grant does not define how much may be used for program administrative costs; it stipulates only that a state may reserve up to 20 percent of its allocation for its own uses.

[1]The five programs were enacted with the following administrative cost caps: (1) Community Development Block Grant—2 percent; (2) Preventive Health and Health Services Block Grant—10 percent; (3) Alcohol and Drug Abuse and Mental Health Block Grant—10 percent; (4) Community Services Block Grant—5 percent; and (5) Low Income Home Energy Block Grant—10 percent. Since enactment, the administrative cost caps for the Community Development Block Grant and the Community Services Block Grant have been modified.

Application and Reporting Requirements for Funds Reserved for State Agencies

The law requires states to submit applications for Chapter 2 funds for up to three fiscal years and to show how much of their state set-aside funds would be spent on authorized activities under the following three subchapters:

- A—Basic Skills Development.
- B—Educational Improvement and Support Services.
- C—Special Projects.

Beginning in fiscal year 1984, the law also requires states to provide for an annual evaluation of the effectiveness of programs assisted with Chapter 2 funds and to keep such records and provide such information to the Department of Education as may be required for fiscal audits and program evaluations. The Department has neither defined what information the states must report nor provided a reporting format. The only information requested by the Department has been for copies of end-of-year evaluations states may have prepared for their Chapter 2 state advisory committees.

The Department has received two rounds of applications: one in 1982 and the other in 1985. Table 1.1 summarizes the application data on funds reserved for state use from nearly all the states. This information is broken out according to the three subchapters.

Table 1.1: States' Chapter 2 Application Data

Dollars in millions

	FY 1982[a]			FY 1985[b]		
	Amount	Percent of total	Percent of set-aside	Amount	Percent of total	Percent of set-aside
Total Chapter 2 funds allotted	**$437.5**			**$500.0**		
Set aside for state use	**$ 83.1**	**19.0**		**$ 92.7[c]**	**18.5**	
Uses of the amount retained for state use:						
Administration of Chapter 2	$ 10.7		12.9	$ 10.5		11.3
Subchapters:	$ 72.4		87.1	$ 83.0[d]		89.6
A - Basic Skills Development	6.1		7.4	6.9		7.4
B - Educational Improvement and Support Services	61.2		73.6	69.9		75.4
C - Special Projects	5.1		6.1	6.3		6.8

[a]Fiscal year 1982 data include 48 states, the District of Columbia, and Puerto Rico. Missouri and Nebraska did not provide data on the amount of funds reserved for state use.

[b]Fiscal year 1985 data include 49 states, the District of Columbia, and Puerto Rico. Nebraska did not provide data on the amount of funds reserved for state use.

[c]Figures below do not add to these totals due to double entries by some states in some categories.

[d]Figures do not add exactly due to rounding.

Source: Department of Education.

Objectives, Scope, and Methodology

The objective of our review was to develop information responsive to the requesters' questions about the 20 percent of the funds that may be kept at the state level. Those questions fell into three major areas:

1. The significance of Chapter 2 funds to state education agencies (SEAs).

2. State level personnel supported by Chapter 2 funds.

3. Classifying and accounting for Chapter 2 SEA activities by specific uniform categories.

As agreed with the requesters' offices, we obtained information from only two states, California and Washington. Based on our past work in the area, we believed that (1) the requesters' questions would be difficult to answer and (2) problems experienced in measuring administrative costs in these two states would not differ substantially from those in other states. We selected California because it receives the most Chapter 2 funds and retains the largest amount at the state level. We

selected Washington because it is more typical in terms of the amount of Chapter 2 funds received and retained at the state level.

In these two states, we first examined budget and expenditure data to determine the amount and percentage of Chapter 2 funds spent and to identify the units that spent these funds. Using a structured interview guide, we interviewed program officials from these units to determine the number of employees and the specific activities being supported by Chapter 2. Based on their responses, we then attempted to classify the activities according to the categories provided by the requesters—technical assistance, support services, administrative costs, monitoring and oversight, and curriculum development—and to determine the amount spent on administrative costs. We made no judgments on the propriety of states' uses of Chapter 2 funds.

We were also requested to compare the number of employees (or the equivalent to full-time employees) used to administer the Chapter 2 program with the number used to administer other federal education grant programs. However, due to time constraints, we were not able to develop comparable data for these other education programs.

To obtain a broader perspective, we interviewed officials and requested relevant nationwide data from the Department of Education and the following education interest groups:

- American Association of School Administrators.
- Coalition on Block Grants.
- Council of Chief State School Officers (CCSSO).
- Council of Great City Schools.
- National Association of State Boards of Education (NASBE).
- National Committee for Citizens in Education.
- National School Boards Association.

Our audit work, conducted during September and October 1985, was done in accordance with generally accepted government auditing standards.

State Agency Comments

We discussed the results of our work in California and Washington with responsible officials from each state's education agency. California officials said that they were generally satisfied with the information presented in the report. Washington officials said the data presented in the

report were generally accurate but did not adequately reflect the benefits of federal support for state education programs since the implementation of the Title V-B program in 1965 and, subsequently, the Chapter 2 state-level program. However, our review focused only on the specific questions raised by the congressional requesters.

Matters in this report were discussed with Department of Education officials, but, as requested, we did not obtain official departmental comments.

Organization of the Report

Chapters 2, 3, and 4 are organized into a question-answer format to respond to specific questions raised by the requesters. Chapter 5 provides possible options for influencing or restricting states' uses of the 20-percent set-aside portion of the block grant funds.

Significance of Chapter 2 Funds to State Education Agencies

We reviewed California and Washington SEA expenditure data for state fiscal years 1980-81 and 1983-84. The year 1980-81 was chosen as the base year because the antecedent programs were substantially cut in 1981-82, the last year before block grant funding was implemented. The 1983-84 period was chosen because it was the most recent year for which expenditure data were available.[1]

What Percentage of a State Education Agency's Budget Do Federal Funds Comprise?

Federal funds made up about 27 percent of California's SEA expenditures and about 39 percent of Washington's expenditures for state-level activities for both years examined, excluding funds passed through to local education agencies.

SEAs are responsible for implementing statewide education initiatives as well as administering state and federal aid to LEAs. Some federal grants target aid directly to the state agencies for specific programs to be operated by those agencies. Other federal grants funnel aid to LEAs through the state agencies and allow a portion of these grants to be kept by the SEAs for administering the program or for other purposes. In this review, we examined only those federal and state funds set aside by SEAs for their own programs and for administration.

A comparison of the two SEAs' expenditures for 1980-81 and 1983-84 is presented in table 2.1. In California, although the amount of federal funds decreased slightly, total expenditures rose due to increased state funding. In Washington, total expenditures declined due to decreases in both state and federal funding. In both states, however, the percentage of federal funding remained fairly constant—decreasing by 1 percent in California and increasing by 1 percent in Washington—over the 3-year period.

Nationwide budget data from a CCSSO survey indicated that federal funds comprised 41.6 percent of an SEA's budget on average in fiscal year 1982, excluding funds passed through to LEAs, and that federal funds accounted for less than the national average of the SEAs' budgets in both California and Washington. (For the complete table of nationwide data, see app. II.)

[1]Data from 1983-84 were the most recent available before we briefed the requesters' offices in December 1985. Data from 1984-85, which later became available, are occasionally used in the report.

What Percentage of a State Education Agency's Budget Comes From Chapter 2?

The law allows the states to retain a portion of Chapter 2 funds for state-level programs. Chapter 2 funds supported 6.8 percent of California's and 12.6 percent of Washington's SEA expenditures in 1983-84.

SEAs in both states increased the amount and percentage of funds they retained under Chapter 2 in 1983-84 as compared to funds retained in 1980-81 under the antecedent programs (see table 2.1). For example, the amount retained by the California SEA increased substantially, from $6.2 million to over $8.1 million—a rise of nearly 32 percent.

Table 2.1: Sources of Funds Retained by State Education Agencies

	California			Washington		
Source of funds	**1980-81 Dollars (percent)**	**1983-84 Dollars (percent)**	**Percent increase (decrease)**	**1980-81 Dollars (percent)**	**1983-84 Dollars (percent)**	**Percent increase (decrease)**
State funds	$ 77,647,000 (66.0)	$ 81,645,000 (67.7)	5.1	$ 6,990,938 (61.6)	$ 5,570,844 (60.6)	(20.3)
Reimbursements[a]	$ 7,170,000 (6.1)	$ 6,488,000 (5.4)	(9.5)			
Federal funds:						
Chapter 2 (or antecedent programs)	6,208,000 (5.3)	8,176,000 (6.8)	31.7	1,097,733 (9.7)	1,159,322 (12.6)	5.6
Chapter 1	5,132,000 (4.4)	2,979,000 (2.5)	(42.0)	477,705 (4.2)	497,492 (5.4)	4.1
Handicapped (PL 94-142)	3,340,000 (2.8)	4,761,000 (3.9)	42.5	454,242 (4.0)	574,464 (6.3)	26.5
Vocational education[b]	4,909,000 (4.2)	4,840,000 (4.0)	(1.4)	911,174 (8.0)	429,133 (4.7)	(52.9)
Child nutrition	5,695,000 (4.8)	4,425,000 (3.7)	(22.3)	249,383 (2.2)	295,180 (3.2)	18.4
All other federal programs	7,488,000 (6.4)	7,327,000 (6.1)	(2.2)	1,159,071 (10.2)	664,876 (7.2)	(42.6)
Subtotal federal	$ 32,772,000 (27.9)	$ 32,508,000 (26.9)	(0.8)	$ 4,349,308 (38.4)	$ 3,620,467 (39.4)	(16.8)
Total	**$117,589,000** (100.0)	**$120,641,000** (100.0)	**2.6**	**$11,340,246** (100.0)	**$ 9,191,311** (100.0)	**(18.9)**

[a]Reimbursements include funds received from fees and sales, as well as funds reimbursed from other state agencies or programs.

[b]Funds retained at the state level in Washington for vocational education are totally reimbursable to the SEA because the program is administered by a separate state agency. As a result, SEA accounting records show these funds as zero over Washington's 2-year budget cycle. The funds shown here represent the amounts spent at the state level during 1980-81 and 1983-84, even though these figures and the resulting totals differ from the SEA's accounting records.

Source: Expenditure data from SEA accounting records.

Fiscal year 1982 budget data from the CCSSO survey and the Department of Education show that an average of 6.3 percent of the SEAs' total budgets nationwide comes from Chapter 2 and that Chapter 2 funds accounted for a greater than average percentage of the SEA's budget in both California and Washington. (For the complete table of nationwide data, see app. II.)

While Chapter 2 funds did not account for a major share of SEA expenditures, officials from both states told us the funds were important because of the amount of discretion the states have in determining their use. For example, California officials told us they used Chapter 2 funds to support a variety of state programs aimed at improving student academic performance, discipline, the curriculum, and the quality of teachers. Washington officials told us they used the Chapter 2 funds they kept at the state level to support state programs to improve financial accounting, to respond to drop-out and Hispanic youth problems, and to address other education-related issues.

Table 2.2 provides an overview of Chapter 2 expenditures for California and Washington in 1983-84. California spent 21.2 percent of its Chapter 2 allotment for state-level activities in 1983-84, and Washington spent 16.8 percent. This compares to a national average of 18.5 percent (see table 1.1).

Table 2.2: Overview of Chapter 2 Expenditures

	California			Washington		
	Amount	Percent of state set-aside	Percent of total	Amount	Percent of state set-aside	Percent of total
Total Chapter 2 funds expended in 1983-84	$ 49,400,953		100.0	$ 6,892,858		100.0
80% to LEAs by formula	$ 38,930,900		78.8[a]	$ 5,733,536		83.2[a]
20% set-aside	$ 10,470,053	100.0	21.2[a]	$ 1,159,322	100.0	16.8[a]
Grants to LEAs:	2,294,733	21.9	4.6	0		
Legislative mandates	494,773	4.7	1.0			
Superintendent's priority projects	1,799,960	17.2	3.6			
Retained by the SEA:	8,175,320	78.1	16.5	1,159,322	100.0	16.8
Direct administration of Chapter 2	109,753	1.0	0.2	105,385	9.1	1.5
Other state-level activities	8,065,567	77.0	16.3	1,053,937	90.9	15.3

[a]Sums vary from 80 and 20 percent because they are based on actual expenditures during 1983-84, which may include some carryover funds from prior years' grants and may not reflect the entire 1983-84 grant if it was not completely expended during this period. (Under the Chapter 2 program, states have 27 months to spend the funds from any given fiscal year grant.)

Source: SEA accounting records.

Most of the Chapter 2 funds retained by the states are spent on state-level activities other than direct administration of the Chapter 2 program. Nationwide data compiled by the Department based on states' fiscal year 1985 applications show that states planned to use an average of 11.3 percent of the Chapter 2 funds retained at the state level for direct administration and 88.7 percent on other types of activities. Based on expenditure data for 1983-84, California used 1 percent for direct administration and Washington used 9.1 percent.

A Department of Education study shows that, to a large extent, states have used their portion of Chapter 2 funds to continue support for state agency management and programmatic activities initiated under one of the antecedent programs, Title V-B, Strengthening SEA Management.[2] This program was designed to strengthen the SEAs' resources for educational leadership and to help identify and meet states' critical education needs. According to Department officials, states used these funds to support virtually every activity carried out by SEAs, including internal mail delivery, distribution of funds to LEAs, and statewide testing. Specific

[2]Title V, Part B, of the Elementary and Secondary Education Act of 1965, as amended November 1, 1978 (Public Law 95-561).

uses of these funds in California and Washington are described on pages 30 to 37; appendix III summarizes the uses of Chapter 2 funds retained by 32 states based on a Department analysis of state evaluation reports.

State-Level Personnel Supported by Chapter 2 Funds

We analyzed 1983-84 data in California and Washington to determine the amount and percentage of Chapter 2 funds used to support state-level personnel, including personnel within the SEA, state boards of education, and the Chapter 2 state advisory committee mandated by law.

How Many People Do Chapter 2 Funds Support From the State Set-Aside?

This question essentially had three components:

- How many personnel or full-time equivalents (FTEs) are supported by Chapter 2 and where are they located?
- How many FTEs come from the office of the chief state school officer or the level directly below?
- How many FTEs are used to directly administer the Chapter 2 program?

How Many FTEs Are Supported by Chapter 2 and Where Are They Located?

In 1983-84, California supported 95.3 FTEs with Chapter 2 funds, while Washington supported 31.9. In both states, all individuals were located within the SEA facilities at the state capitals.

California and Washington use different methods of accounting for Chapter 2 support of FTEs. In Washington, the SEA maintained logs that listed employees by name and unit, indicating the sources of funding for each employee. In California, the number of FTEs supported by Chapter 2 in each unit was generally based on the proportion of Chapter 2 funds to the unit's total funding. California did not maintain a list of specific employees supported by Chapter 2. The SEAs' Chapter 2 FTEs and total FTEs are presented in table 3.1.

Table 3.1: Total Full-Time Equivalent Employees for State Education Agencies

	California (1983-84)		Washington (1983-84)	
	FTEs	Personnel cost	FTEs	Personnel cost
Total SEA	2,442.7	$77,692,000	227.1	$6,050,398
Chapter 2 (percent of total)	95.3 (3.9)	$ 4,048,507 (5.2)	31.9 (14.0)	$1,008,915 (16.7)

Source: SEA accounting records for 1983-84.

During its monitoring visits to each state in 1983 and 1984, the Department of Education obtained nationwide data on the number of employees supported by Chapter 2 funds. Nationwide, the data showed that the number of FTEs supported by Chapter 2 funds ranged from 6 in New Jersey to 143.5 in New York, with an average of 29.4 FTEs. (For the complete table of nationwide data, see app. IV.)

How Many FTEs Come From the Office of the Chief State School Officer or the Level Directly Below?

None of the FTEs supported by Chapter 2 funds in California and Washington were from the Offices of the Superintendents—the chief state school officers in both states.

However, in Washington, one FTE directly below the Superintendent's Office—the Deputy Superintendent of Public Instruction—was supported by Chapter 2 for 5 months in 1984-85, at a cost of $28,505. In addition, one FTE two levels below the Superintendent—the Assistant Superintendent for Instructional Services—was also designated as a Chapter 2-supported position. In 1983-84, personnel expenses for this Assistant Superintendent and her secretary were supported with $79,901 of Chapter 2 funds. In California, all the FTEs supported by Chapter 2 funds were located at least three organizational levels below the Superintendent's office.

How Many FTEs Are Used to Directly Administer Chapter 2?

California used 1.7 FTEs to administer the Chapter 2 program, and Washington used 2.3.

As requested, we compiled the number of FTEs based on the following list of direct administration activities:

- Application review.
- Accounting costs.
- Computer costs for determining the LEA formula.
- State monitoring of federal dollars at the LEA level.

We also included state advisory committee expenses as a direct administration cost of the Chapter 2 program. Table 3.2 shows the direct administration activities carried out by California and Washington in 1983-84.

Table 3.2: Activities Related to the Direct Administration of the Chapter 2 Program

State/organizational unit	Activity description	Chapter 2 (1983-84) Amount	FTEs
California:			
Local Assistance Bureau	Distribute funds to LEAs	$ 6,394[a]	0.2[b]
Compliance & Grants Management Division	Conduct application review and compliance monitoring; provide technical assistance	74,681	1.3[b]
Support to the state advisory committee	Establish criteria for 20% set-aside funds, monitor and review	28,678	0.2
Total direct administration		**$109,753**	**1.7**
(percent of total Chapter 2 set-aside funds and Chapter 2-supported FTEs)		1.0%	1.8%
Washington:			
Chapter 2	Help LEAs complete applications; help LEAs with program design; coordinate with private schools; conduct on-site visits to LEAs	$ 80,881	1.8
Learning Resources	Monitor LEAs' use of 80%	14,873	0.4
Education Planning and Evaluation	Prepare end-of-year report to state advisory committee; assist with formulas for LEAs	7,780	0.2
Support to the state advisory committee	Review total Chapter 2 program, including the LEA formula and the state's spending of the 20% set-aside	1,851	0[c]
Total direct administration		**$105,385**	**2.3**
(percent of total Chapter 2 set-aside funds and Chapter 2-supported FTEs)		9.1%	7.4%

[a]This figure represents the amount of Chapter 2 funds used to support the Local Assistance Bureau, not the actual cost of distributing Chapter 2 funds.

[b]Accounting records indicated 0 FTEs for these two units, but program officials said these figures were not accurate. FTE figures presented here are based on the proportion of Chapter 2 funding for the unit, which is the method generally used to determine the number of FTEs attributed to a given funding source.

[c]Although Washington officials told us that a portion of SEA staff time is devoted to the advisory committee, SEA accounting records do not reflect this.

Sources: Organizational unit, expenditures, and FTEs are based on 1983-84 SEA accounting records except as otherwise noted. Activity descriptions are based on interviews with program officials.

Because the SEAs' accounting records were kept by organizational unit rather than by type of activity, we could not determine the number of FTEs or the cost of direct administration based on accounting records alone. Accordingly, we interviewed staff from each unit supported all or

in part with Chapter 2 funds to determine the extent to which they were involved in direct administration activities.

We found that California and Washington spent about the same on direct administration even though Washington received smaller Chapter 2 grants. The Director of California's Compliance and Grants Management Division told us California is able to achieve economies of scale by consolidating the administration of many state and federal programs.

As presented in table 3.3, the nationwide data show that other states, on average, use more FTEs and spend more Chapter 2 funds on direct administration—about 3.2 FTEs and about 11 percent of their reserved Chapter 2 funds—than either California or Washington. (For a complete table comparing the studies for each of the states, see app. V.)

Table 3.3: Data on Full-Time Equivalent Employees and Costs to Administer the Chapter 2 Program—California and Washington vs. National Data

FTEs	Total FTEs supported by Chapter 2 set-aside	Number of FTEs used for direct administration	Percent of total FTEs used for direct administration
National averages[a]	29.4	3.2	10.9
California[b]	95.3	1.7	1.8
Washington[b]	31.9	2.3	7.4
Costs	**Total Chapter 2 set-aside funds**	**Amount spent on direct administration**	**Percent of total Chapter 2 funds used for direct administration**
National averages[c]			
FY 1982[d]	$ 1,661,855	$ 214,624	12.9
FY 1985[e]	1,817,543	205,172	11.3
California[f]	10,470,053	109,753	1.0
Washington[f]	1,159,322	105,385	9.1

[a]Source: Department of Education monitoring data. Total average based on data collected in 1983 and 1984 from 48 states and the District of Columbia (Maryland and Hawaii not included); direct administration average based on data from 49 states and the District of Columbia (Hawaii not included).

[b]Source: SEA FTE records.

[c]Source: Department of Education data from states' Chapter 2 applications.

[d]Averages based on data from 48 states, the District of Columbia, and Puerto Rico. Missouri and Nebraska did not provide data on the amount of funds reserved for state use.

[e]Averages based on data from 49 states, the District of Columbia, and Puerto Rico. Nebraska did not provide data on the amount of funds reserved for state use.

[f]Source: SEA expenditure data for 1983-84.

Are Any Chapter 2 Funds Used to Support the State Board of Education in Any State?

Both California and Washington used Chapter 2 funds to support their state boards in state fiscal year 1983-84 (see table 3.4).

Table 3.4: State Board of Education Expenditures Under Antecedent Programs and Chapter 2

	California		Washington	
	1980-81 Antecedent programs	1983-84 Chapter 2	1980-81 Antecedent programs	1983-84 Chapter 2
Total SBE expenditures	$231,483	$323,273	$118,083	$154,930
SBE expenditures funded by antecedent programs or Chapter 2	$5,464	$85,764	0	$5,500
Percent of total SBE expenditures funded by antecedent programs or Chapter 2	2.4%	26.5%	•	3.5%
Percent of antecedent programs or Chapter 2 set-aside amount used for SBE	0.1%	0.8%	•	0.5%

Source: SEA accounting records for 1980-81 and 1983-84.

The authorizing legislation specified that SEAs may use their Chapter 2 funds for technical assistance and training for state boards of education. In addition, the act allows states to carry out selected activities from among the full range of programs and projects formerly authorized under the antecedent grant programs, including Title V-B. California routinely used Chapter 2 funds for general support of its board. SEA officials said their past use of Title V-B funds provided a historical precedent for the use of Chapter 2 funds to support state board activities. However, Chapter 2 funds supported 26 percent of California's state board expenditures in state fiscal year 1983-84 compared to only 2 percent of total board expenses funded by the Title V-B program in 1980-81. In 1983-84, California used $85,764 of Chapter 2 funds to support its board, including $50,534 for operating expenses and equipment, $34,878 for SEA staff salaries, and $352 for the Curriculum Commission. In 1980-81, it used $5,464 in Title V-B funds to support state board expenditures for the Education, Innovation and Planning Commission; no Title V-B or other antecedent program funds were used to support staff salaries or general operating expenses of the board.

In Washington, the only Chapter 2 funds that supported the state board were $5,500 used to purchase a word processor in 1983-84. No Chapter 2 funds were used to support its board in 1982-83 or 1984-85.

In 1985 NASBE conducted a survey to obtain nationwide data concerning the use of Chapter 2 funds to support state board activities. Only 6 of the 31 state boards responding to the survey said they were supported by Chapter 2 funds, and NASBE data showed that California's board was allocated substantially more Chapter 2 support than the others. (For a complete table showing all 31 respondents, see app. VI.)

How Costly Is It to Operate the Chapter 2 State Advisory Committee?

Expenditures on the state advisory committees accounted for less than 1 percent of the Chapter 2 set-aside funds retained by the SEAs in both California and Washington (see table 3.5).

Table 3.5: Support of State Advisory Committee Activities (1983-84)

	Personnel costs	Other expenses	Total	FTEs
California:				
Total Chapter 2 set-aside expenses and FTEs	$4,048,507	$6,421,546	**$10,470,053**	95.3
State advisory committee expenses and FTEs	9,079	19,599	**28,678**	0.2
(Percent of Chapter 2 set-aside; funds and FTEs)	(0.2%)	(0.3%)	**(0.3%)**	(0.2%)
Washington:				
Total Chapter 2 set-aside expenses	$1,008,915	$150,406	**$1,159,322**	31.9
State advisory committee expenses	0	1,851	**1,851**	0[a]
(Percent of Chapter 2 set-aside; funds and FTEs)	•	(1.2%)	**(0.2%)**	•

[a]Although Washington officials told us that a portion of state education agency staff time is devoted to the advisory committee, accounting records do not reflect this.

Source: SEA accounting records for 1983-84.

The authorizing legislation requires SEAs receiving Chapter 2 funds to provide for a process of active, continuing consultation with an advisory committee that is appointed by the governor and is broadly representative of the educational interests and general public in the state. This

advisory committee is to advise the SEA on the allocation of the Chapter 2 funds reserved for state use as well as the allocation of funds to LEAs.

Classifying and Accounting for Chapter 2 State Education Agencies' Activities by Specific Uniform Categories

We encountered difficulties in obtaining consistent data to classify SEA activities in California and Washington due to differing SEA record-keeping practices and the lack of standard definitions for administration and other categories. We found that other nationwide studies on SEAs' uses of funds under Chapter 2 also encountered difficulties.

How Do States Define the Following Commonly Used Terms to Categorize SEA Activities: (1) Technical Assistance, (2) Support Services, (3) Administrative Costs, (4) Monitoring and Oversight, and (5) Curriculum Development?

Lacking standardized definitions or reporting requirements, California and Washington SEA officials had difficulty categorizing their Chapter 2-supported activities according to these terms because they maintain their accounting records by state program and organizational unit—not by federal funding source or type of activity.

While the authorizing legislation mentions some of these terms, neither the legislation nor federal regulations for this program define them or require SEAs to use them as categories for reporting their use of Chapter 2 funds. Also, states' accounting records do not maintain information on Chapter 2 funds using these categories.

As requested, we asked the SEA fiscal officers to define these terms and to list the Chapter 2 activities most representative of each. However, the fiscal officers were generally unfamiliar with the specific activities of each program unit, so we had to rely on state program officials to classify their Chapter 2-supported activities. Generally, program officials had difficulty classifying their unit's activities into the five categories because (1) there were no clear, standardized definitions for the categories and (2) some units' activities fell into more than one category. In the absence of clear, standardized definitions, officials classified their activities based on their own perceptions of what these terms meant. The categories that presented the greatest difficulties were administrative costs, technical assistance, and support services. The results of these discussions are presented in table 4.1 for California and table 4.2 for Washington. Appendix VII summarizes the states' activities by category, based on these tables.

Considerable differences existed among officials within the same state regarding the meaning of these terms. For example, California SEA officials from two similar program units (Parent Involvement and Youth Core) had different perceptions relating to administrative costs. The Parent Involvement unit identified 15 percent of its activities as administrative and restricted its definition to include only supervision of staff. The Youth Core unit identified 55 percent of its activities as administrative. It described these activities as the administration of the whole unit,

as well as staff supervision. Other California SEA officials said that these units did not vary that much in terms of the administrative activities they performed.

In Washington, officials from two units providing financial management assistance to LEAs in one case described the activity as an administrative cost, while officials in the other described it as technical assistance. The School Financial Services unit described its Chapter 2-supported activity as budget planning and financial management assistance to LEAs. The School Apportionment Services unit said it used Chapter 2 funds to provide general advisory assistance to LEAs on financial matters, including projections of revenues. Although these activities are similar, the former unit classified the activity as administrative, while the latter classified it as technical assistance.

Also, many SEA officials could not classify their units' Chapter 2-supported activities into a single category, as shown in tables 4.1 and 4.2. As a result, they had to subjectively estimate the amount of time devoted to each category. However, some would not provide percentage breakdowns among the categories. The Department of Education and various education interest groups have conducted nationwide studies on SEAs' uses of Chapter 2 funds and also experienced difficulties in obtaining consistent information.

Table 4.1: California Chapter 2 Activity Descriptions and Category Classifications

Organizational unit/ programs	Activity description	Estimated percentage of time[a]	Category code[b]
Science, Language Arts/ Fine Arts, Math, Social Science, Foreign Language, Physical Education, and Frameworks	Conduct workshops and disseminate standards	50	TA/SS
	Develop model curriculum standards for 9-12	50	CD
Technology Education	Provide technical assistance to schools	20	TA
	Develop handbook on assisting educators in implementing computer programs	30	SS
	Administer state teacher centers	30	AC
	Develop K-12 curriculum on computer studies	20	CD
Private Schools	Coordinate with private schools; conduct workshops; develop handbooks on computers and extended education	100	TA/SS
Parent Involvement	Conduct workshops on student achievement and parenting programs	20	TA
	Define area and type of services needed	35	SS
	Supervision of staff	15	AC
	Monitor LEAs that receive mini-grants	15	MO
	Develop curriculum standards on parenting	15	CD
School Climate	Conduct conferences on school safety; hold workshops on guidance and counseling and attendance improvement	70	TA
	Prepare handbooks on guidance and counseling and attendance improvement	30	SS
Staff Development	Provide support for LEAs on general fiscal policy and activities relevant to staff development	55	TA
	Access resources, support state technical assistance network, and coordinate collaboration	15	SS

Organizational unit/ programs	Activity description	Estimated percentage of time[a]	Category code[b]
	Develop and review applications; distribute funds for programs	30	AC
Research, Assessment, and Evaluation	Provide technical assistance to LEAs on evaluations and assessment guidelines	20	TA
	Research school effectiveness of all federal and state programs (except the Chapter 1 program); conduct evaluations and assessments on LEAs	80	MO
Youth Core	Provide documents on high risk youth to LEAs	10	TA
	Arrange conferences regarding high risk youth	20	SS
	Administration of the high risk youth unit	55	AC
	Develop expectancy standards	15	CD
Local Assistance Bureau	Distribute federal and state funds to LEAs	100	AC
Compliance and Grants Management Division	Application review and compliance monitoring	85	MO
	Provide technical assistance	15	TA

[a]As estimated by state agency officials.

[b]Abbreviations for categories provided by congressional requesters: TA = technical assistance; SS = support services; AC = administrative costs; MO = monitoring and oversight; CD = curriculum development. Categories were not defined by GAO; state agency officials categorized their activities based on their definition or understanding of these categories.

Source: Interviews with SEA program officials.

Table 4.2: Washington Chapter 2 Activity Descriptions and Category Classifications

Organizational unit/ programs	Activity description	Estimated percentage of time	Category code[b]
School Financial Services	Provide budget planning and financial management assistance to LEAs; conduct audits, etc.	100	AC
School Apportionment Services	Distribute all federal and state aid to LEAs	50–60	AC
	Review distribution of aid and ensure LEAs comply with state directives on salaries	18–20	MO
	General advisory role on financial matters; provide LEAs with projection of revenues	30	TA
Office of the Assistant Superintendent	Responsible for policy setting and dissemination of information (such as curriculum guidelines) for several federal programs	[c]	TA/MO/CD
Learning Resources	Provide information and workshops regarding learning resources, such as computers	100	TA
Private Education	Liaison between federal, state, and local education agencies and and private schools	[c]	TA/SS
	Gather statistics	[c]	AC
Personnel	Communication and coordination throughout the agency; explore ways to improve internal and external communication and clarify roles	60 30 10	AC SS TA
Information and Computer Services	Provide training sessions and disseminate required forms	[c]	AC
	Provide technical assistance to LEAs on data base management	[c]	TA
Educational Planning and Evaluation	Prepare descriptive evaluation reports of various programs; responsible for state testing program; act as liaison with other education programs	80 15–18	MO TA
	Prepare end-of-year report to state advisory committee; assist with formula for LEAs	2–5	AC

Organizational unit/ programs	Activity description	Estimated percentage of time	Category code[b]
Chapter 2	Help LEAs complete applications	[c]	TA
	Help LEAs with program design	[c]	SS
	Coordinate with private schools	[c]	AC
	Conduct on-site visits to LEAs	[c]	MO

[a]As estimated by state agency officials.

[b]Abbreviations for categories provided by congressional requesters: TA = technical assistance; SS = support services; AC = administrative costs; MO = monitoring and oversight; CD = curriculum development. Categories were not defined by GAO; state agency officials categorized their activities based on their definition or understanding of these categories.

[c]Percentage breakdown not given.

Source: Interviews with SEA program officials.

A Department of Education study on SEA uses of Chapter 2 funds described the difficulties encountered in attempting to identify categories for analyzing the data from the SEAs' end-of-year evaluation reports because the states used varying formats (see app. III). The study was only able to list the number of states that included similar activities in their reports; it did not provide the dollar amounts associated with these activities. The Department of Education study states:

"It is likely that some aspects of states' Chapter 2 programs were mis-classified; the process called for numerous judgments to be made. [In addition,] because of the largely narrative nature of the reports, no quantitative analysis could be done."

CCSSO attempted to survey states' use of Chapter 2 funds in 1985 and also encountered difficulties. A CCSSO official told us that responses to the initial survey were too inconsistent to analyze. A second survey with revised definitions was sent out, but the states' responses still varied widely.

To illustrate the variation of responses to nationwide studies, we compared the 1983-84 information obtained from Washington SEA officials regarding the amount of funds used to support direct administration of Chapter 2 with information Washington provided for the two nationwide studies discussed above. Essentially, the state reported different types of activities as direct administration in each of the three studies (see app. VIII).

What Percentage of the States' Chapter 2 Funding, on Average, Is Used for Administrative Activities?

We were unable to estimate the percentage of Chapter 2 funds used for administration in the two states. Problems in defining and classifying administrative activities, as well as differences in the SEAs' accounting methods, precluded a direct comparison of the extent of Chapter 2 support for administrative activities between the two states.

First, as noted earlier, officials within each state could not identify their administrative activities based on a consistently used standard definition. The federal government did not define the term "administrative costs" or require state reporting of Chapter 2 funds spent on administration; accordingly, state accounting records were not organized to produce this information. When program officials were asked about the amount of time their units spent on administration versus other Chapter 2-supported activities, they either provided estimates or declined to even make estimates.

Even if we had been able to accurately estimate the proportion of time and funds spent on administrative activities within each state, the amount of Chapter 2 funds used for such activities would not be comparable because of differences in the SEAs' accounting procedures for both direct and indirect costs. Regarding direct costs, California designates a certain percentage of a unit's expenditures, including administrative activities, to be supported with Chapter 2 funds. As a result, the amount of Chapter 2 funds reported for administration for each unit would be the proportion that Chapter 2 funding represents of the unit's total administrative costs.

In contrast, Washington designates its Chapter 2 funds to support specific individuals. The amount of Chapter 2 funds attributed to administration in Washington would depend on the extent these Chapter 2-funded individuals were involved in administrative activities rather than a percentage of the entire unit's administration.

Regarding indirect costs, California's charges are automatically added to the direct charges for each expenditure and included in the amount recorded for a given unit. In contrast, Washington applies an indirect cost rate to the total amount of funds to be retained at the SEA when the funds are initially received, and these funds are placed in a separate indirect cost account. Only direct charges are included in the expense amount recorded for a given unit. Thus, the amount of Chapter 2 funds attributed to a given unit and to administrative activities within that unit would include indirect costs in California, but not in Washington.

Our findings regarding the inability to measure education block grant administrative costs in California and Washington are consistent with our earlier work in this area. In our 1983 review of all the 1981 block grants in 13 states, we also were unable to measure administrative costs because of the lack of definitions and different methods of record-keeping within and between states.[1]

[1]State Rather Than Federal Policies Provided the Framework for Managing Block Grants (GAO/HRD-85-36, Mar. 15, 1985), pp. 49-50; and Education Block Grant Alters State Role and Provides Greater Local Discretion (GAO/HRD-85-18, Nov. 19, 1984), pp. 38-40.

Conclusions

The Education Block Grant allows states to use their share of Chapter 2 funds to support administrative costs. However, the lack of definitions for administrative activities and inconsistent accounting procedures preclude us from identifying and comparing how much was spent on administrative activities in California and Washington.

To identify the amount of Chapter 2 funds used for administrative activities, the federal government would have to

- define the activities to be included in the category "administrative costs" and
- require states to identify, track, and report the amount of Chapter 2 funds used to support those activities.

Such requirements, although difficult to implement due to the extensive definitions and recordkeeping that would be required, could provide a more uniform national picture of the use of block grant funds for general administrative purposes. However, it would increase the states' administrative burden and be contrary to the block grant philosophy of encouraging states to use their own procedures to manage the program.

Although better national reporting of states' uses of funds for administration may satisfy accountability concerns, we were asked by the requesters to identify options for restricting state administrative costs under the Chapter 2 program. We have identified four possible options:

1. Prohibit funding of administrative activities with Chapter 2 funds.

2. Place a cap on the funding of administrative activities with Chapter 2 funds.

3. Decrease the amount or percentage of the Chapter 2 set-aside to be retained by the state.

4. Place a floor on the amount or percentage of Chapter 2 funds to be spent on specific programmatic activities.

Consistent nationwide implementation of the first two options, a prohibition or a cap, would require defining administrative activities and imposing standard reporting requirements. Based on the diversity of procedures we encountered in attempts to identify administrative activities in the Education Block Grant in California and Washington and the many subjective judgments required to classify activities, it would be

difficult, in our opinion, to develop national definitions of administrative activities that would be perceived as equitable by the states and could be used to monitor state compliance. The block grant regulations do not provide definitions or reporting requirements for block grants with administrative cost caps. Furthermore, from our past work on administrative cost caps, we were not able to conclude that restrictions actually reduced costs. This was partly because there are problems in defining what constitutes administrative costs.[1]

The third option, to decrease the percentage of Chapter 2 funds available to SEAs, would avoid the potential difficulties of defining administrative activities and requiring standardized reporting. However, under this option states could still use up to the full amount of the Chapter 2 set-aside for SEA administrative costs.

The last option, to designate a minimum specified percentage of the Chapter 2 set-aside funds to be used for programmatic activities, would require defining those activities. However, the definition of programmatic activities could provide a positive focus on how the funds should be used, rather than a negative focus on prohibited uses. In addition, this option could be a vehicle for reconsidering the extent to which SEAs use Chapter 2 funds to maintain and upgrade their administrative capabilities, activities that were previously initiated under the Title V-B program, "Strengthening SEA Management," and carried forward under the block grant. However, by prescribing a percentage of funds to be used for specific activities, this approach would be inconsistent with the block grant philosophy, which encourages states to set their own priorities.

[1]Lessons Learned from Past Block Grants—Implications for Congressional Oversight (GAO/IPE-82-8, Sept. 23, 1982), pp. 59-65; and The Federal Government Should But Doesn't Know the Cost of Administering Its Assistance Programs (GAO/GGD-77-87, Feb. 14, 1978).

Request Letter

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SUBCOMMITTEE ON ELEMENTARY, SECONDARY, AND VOCATIONAL EDUCATION

May 16, 1985

Mr. Charles A. Bowsher
Comptroller General
General Accounting Office
441 G St., N.W.
Washington, D. C. 20548

Dear Mr. Bowsher:

We are writing to request that the General Accounting Office gather specific information on Chapter 2 of the Education Consolidation and Improvement Act, dealing primarily with the amount and use of funds reserved for State educational agencies under this program. This information is needed to help the Committee on Education and Labor and the Committee on Appropriations carry out our respective oversight and fiscal responsibilities for this program.

On April 23, 1985, our staffs had an informal briefing with GAO staff to gain an understanding of what information GAO already has available on the Chapter 2 block grant, what additional information would have to be collected, and how it could be obtained. Following this briefing, we developed a list of the specific data items that we believe are necessary in order for us to understand State use of State-reserved Chapter 2 funds. According to our staffs' information from that briefing, much of this information is not currently available, and for that reason, we are requesting additional GAO investigative work. We have attached the list of questions we believe GAO should include in such an investigation.

We await your early response about the timetable and details of this study. We feel this information is vital for appropriation and reauthorization decisions about this program.

Sincerely,

Augustus F. Hawkins

William F. Goodling

David R. Obey

QUESTIONS FOR GAO ON CHAPTER 2 STATE SET-ASIDE

1. WHAT PERCENTAGE OF A STATE EDUCATIONAL AGENCY'S (SEA) BUDGET DO FEDERAL FUNDS COMPRISE?

Criteria for the question

A. Provide a comparison by year since 1980

B. Exclude State regional units (such as CESAs in Wisconsin

C. Exclude all local pass-through funds (such as the LEA funding in Chapter 1, ECIA)

D. Provide the data State by State in dollars and in percentages

E. Break down the Federal funds used by the SEA by Federal program by percentage and dollars

2. WHAT PERCENTAGE OF THE SEA BUDGET COMES FROM CHAPTER 2?

Criteria for the question

A. Exclude State regional units (such as CESAs in Wisconsin)

B. Exclude all local pass-through funds (such as the LEA funding in Chapter 1)

C. Provide the data State by State in dollars and percentages

3. HOW MANY PEOPLE DO CHAPTER 2 FUNDS SUPPORT FROM THE STATE SET-ASIDE?

Criteria for the question

A. Count personnel by FTE (full-time equivalent) or person hours

B. Identify where people are located: in intermediate schools, in State-established multi-county entities (such as CESAs in Wisconsin), on subcontracts to postsecondary institutions, research centers, community groups, and at the headquarter facilities of the SEA where the employees work under the administrative structure responsible to the chief State school officer

C. Determine how many FTEs are used to directly

administer the Chapter 2 program

D. Compare the FTEs used to administer the Chapter 2 program with the number used to administer Chapter 1, P.L. 94-142, vocational education, and the school lunch and school breakfast programs

E. Include in the definition of administrative costs at least the following items and tasks: application review, accounting costs, computer costs for determining the LEA formula, State monitoring of Federal dollars at the LEA level. If others are included, please specify.

F. Provide information for the last year for which fiscal information is available

G. Of the FTEs supported by Chapter 2 funds, determine how many come from the chief State school officer (CSSO), special assistants in the office of the CSSO, deputy State administrators (defined as the staff level immediately below the CSSO). How many dollars of the State-level Chapter 2 set-aside do these FTEs use? Present data also by percentage

4. ARE ANY CHAPTER 2 FUNDS USED TO SUPPORT THE STATE BOARD OF EDUCATION IN ANY STATE?

Criteria for the question

A. Provide the amount spent from all sources on the State board of education

B. If any funding is provided with Chapter 2 monies, specify the amount and percentage of the total State board funding that it represents

C. Determine the percentage of Chapter 2 State set-aside funds used by the State board of education, if any

5. HOW COSTLY IS IT TO OPERATE THE CHAPTER 2 STATE ADVISORY COMMITTEE?

Criteria for the question

A. Identify in dollars and percentages the State set-aside used to operate the State advisory committee

B. Of the costs to operate the committee, identify the amount (if any) spent on SEA staff support to the State advisory committee

6. HOW DO STATES DEFINE THE FOLLOWING COMMONLY-USED TERMS THAT IN FEDERAL LAW CATEGORIZE STATE EDUCATIONAL AGENCY ACTIVITIES: 1) TECHNICAL ASSISTANCE, 2) SUPPORT SERVICE, 3) ADMINISTRATIVE COSTS, 4) MONITORING AND OVERSIGHT, AND 5) CURRICULUM DEVELOPMENT?

Criteria for the question

A. Use the definitions provided by SEA fiscal officers

B. Definitions should include the activities that would be funded within the five categories

C. Identify which activities are most commonly used to describe each term.

7. BASED ON THE GAO REPORT (HD-85-18) ISSUED IN NOVEMBER, 1984 ("EDUCATION BLOCK GRANT ALTERS STATE ROLE AND PROVIDES GREATER LOCAL DISCRETION"), WHAT PERCENTAGE OF THE STATES' CHAPTER 2 FUNDING, ON AVERAGE, IS USED FOR ADMINISTRATIVE ACTIVITIES?

Nationwide Data on SEAs' Budgets in FY 1982, Excluding Pass-Through Funds

Dollars in millions

State	CCSSO Total SEA budget	CCSSO Federal funds		Department of Education Chapter 2 funds	
		Amount	Percent of SEA budget	Amount	Percent of SEA budget[a]
Alabama	$71.9	$51.3	71.3	$0.76	1.1
Alaska	29.8	8.9	30.0	0.44	1.5
Arizona	12.1	5.1	42.1	0.51	4.2
Arkansas	9.3	4.5	48.0	0.87	9.4
California	116.0	32.5	28.0	8.05	6.9
Colorado	7.7	4.6	60.0	1.04	13.5
Connecticut	64.0	25.0	39.0	1.13	1.8
Delaware	4.6	2.3	50.0	0.44	9.6
Florida	49.0	7.6	15.6	3.19	6.5
Georgia	28.1	1.2	4.3	2.17	7.7
Hawaii	6.8	0.5	8.0	0.44	6.5
Idaho	4.5	1.7	37.3	0.44	9.8
Illinois	33.0	16.5	50.0	4.23	12.8
Indiana	9.8	5.3	54.0	2.12	21.6
Iowa	9.1	5.0	55.0	1.07	11.8
Kansas	7.0	3.8	55.0	0.83	11.9
Kentucky	81.7	7.8	9.5	1.41	1.7
Louisiana	36.2	6.2	17.0	1.71	4.7
Maine	1.9	0.4	20.0	0.44	23.2
Maryland	50.0	28.0	56.0	1.58	3.2
Massachusetts	31.1	12.1	39.0	2.03	6.5
Michigan	100.9	78.4	77.7	3.65	3.6
Minnesota	24.0	7.2	30.0	1.53	6.4
Mississippi[b]	9.3	•	•	1.06	11.4
Missouri[b]	40.0	20.0	50.0	•	•
Montana	4.9	2.0	41.0	0.44	9.0
Nebraska[b]	16.7	7.8	46.7	•	•
Nevada	3.0	2.0	65.0	0.44	14.7
New Hampshire[c]	3.0	1.5	50.0	0.44	14.7
New Jersey	43.1	9.5	22.0	2.70	6.3
New Mexico	3.8	1.5	40.0	0.53	13.9
New York	164.3	74.3	45.2	6.27	3.8
North Carolina	34.0	12.6	37.0	2.21	6.5
North Dakota	3.5	2.3	67.0	0.44	12.6
Ohio	16.9	8.4	50.0	4.07	24.1
Oklahoma[b]	•	•	•	1.10	•
Oregon	10.7	4.0	37.0	0.93	8.7

State	CCSSO Total SEA budget	CCSSO Federal funds		Department of Education Chapter 2 funds	
		Amount	Percent of SEA budget	Amount	Percent of SEA budget[a]
Pennsylvania	$31.6	$16.8	53.2	$3.63	11.5
Rhode Island	6.7	2.7	40.0	0.44	6.6
South Carolina	22.6	7.7	34.0	1.24	5.5
South Dakota[d]	(0.3)	(0.1)	(41.3)	(0.44)	(146.7)
Tennessee	15.0	5.0	33.0	1.72	11.5
Texas	12.6	5.4	43.0	5.53	43.9
Utah	22.4	10.1	45.0	0.62	2.8
Vermont	4.4	2.2	49.0	0.44	10.0
Virginia	17.3	3.1	18.0	1.96	11.3
Washington	9.2	3.4	36.6	1.47	16.0
West Virginia	9.2	4.8	52.0	0.73	7.9
Wisconsin	17.9	8.8	49.2	1.78	9.9
Wyoming	4.9	2.1	43.4	0.44	9.0
Total	**$1,315.5**	**$533.9**		**$80.67**	
Average	$27.4	$11.4	41.6	$1.72	6.3
(Number of states included in average)	(48)	(47)		(47)	

[a]Percentages were calculated by GAO based on the data from CCSSO and the Department of Education.

[b]Data for these states were incomplete from one or both studies (total of four states).

[c]The CCSSO data for New Hampshire were based on estimates.

[d]We questioned CCSSO's data indicating South Dakota's total SEA budget was $0.3 million since the Department of Education reported that $0.4 million in Chapter 2 funds alone were retained at the state level. Therefore, we excluded this state from our computation of totals and averages.

Sources: CCSSO FY 1982 budget data are from a survey of SEAs regarding their total budgets (excluding any pass-through funds to LEAs) and the percentages of their budgets that were federally funded. Department of Education FY 1982 budget data are based on states' FY 1982 Chapter 2 applications.

Summary of SEAs' End-of-Year Evaluation Reports for Chapter 2 State-Level Programs in 1983-84

	Categories based on authorized activities under antecedent program title V-B[a]	Number of states
1	Provide LEAs with technical assistance to improve instructional programs, including ways for parents to assist their children.	28
2	Provide LEAs with technical assistance to improve planning program management, citizen involvement, and staff development.	26
3	Strengthen the SEA's internal resources.	18
4	Conduct workshops/conferences to facilitate communication among educators, and between educators and the public.	17
5	Development curricular materials and programs.	14
6	Develop statewide student assessment programs.	12
7	Disseminate information regarding effective educational practices.	11
8	Make direct grants to LEAs.	11
9	Enhance other governmental branches' analysis of state educational issues.	11
10	Coordinate public school programs with those in private schools; monitor federal requirements for program participation of private school students.	4
11	Provide professional development for SEA employees.	3
12	Develop more equitable school finance mechanism.	2

[a]Title V, Part B, of the Elementary and Secondary Education Act of 1965, as amended November 1, 1978 (P.L. 95-561). Activities related to the direct administration of the Chapter 2 program were not included in this analysis.

Source: Department of Education, "Summary of State Evaluations of the ECIA Chapter 2 Program, Program Year 1983-84," (August 1985). Reports from 32 states are included in the analysis.

Nationwide Full-Time Equivalent Employee Data (1983 and 1984)

State	Total FTEs	FTEs used for direct administration of the Chapter 2 program
Alabama	17.0	2.8
Alaska	7.9	4.0
Arizona	7.0	3.5
Arkansas	17.0	6.0
California	90.7	1.5
Colorado	15.0	3.2
Connecticut	22.0	3.5
Delaware	12.5	3.1
District of Columbia	11.5	2.0
Florida	40.0	0.8
Georgia	39.8	5.3
Hawaii	•	•
Idaho	15.0	2.0
Illinois	18.0	4.0
Indiana	54.0	3.0
Iowa	26.0	4.0
Kansas	25.0	1.0
Kentucky	15.0	6.0
Louisiana	36.3	10.0
Maine	7.0	3.0
Maryland[a]	0	3.0
Massachusetts	65.0	3.0
Michigan	69.5	5.0
Minnesota	33.5	3.5
Mississippi	18.0	3.5
Missouri	43.8	4.0
Montana	12.0	2.0
Nebraska	18.8	2.2
Nevada	9.0	0.8
New Hampshire	17.0	1.5
New Jersey	6.0	3.5
New Mexico	16.0	2.0
New York	143.5	3.5
North Carolina	55.2	14.4
North Dakota	11.7	0.6
Ohio	89.5	2.5
Oklahoma	29.5	3.5

State	Total FTEs	FTEs used for direct administration of the Chapter 2 program
Oregon	12.3	1.2
Pennsylvania	31.0	4.0
Rhode Island	9.0	2.0
South Carolina	46.0	4.0
South Dakota	9.0	1.0
Tennessee	43.0	2.0
Texas	18.0	3.5
Utah	9.3	0
Vermont	13.8	3.1
Virginia	46.0	2.0
Washington	31.8	1.5
West Virginia	28.8	5.5
Wisconsin	17.0	3.5
Wyoming	9.9	1.5
Total	**1,439.8**	**182.1**
Average	29.4	3.2
(Number of states included in average)	(49)	(50)

[a]We questioned Maryland's total FTEs of 0 since 3 FTEs were reported for direct administration, and we excluded it from the calculation of the total and average.

Source: Department of Education data based on interviews with SEA officials conducted during monitoring visits to each of the states.

Nationwide Data on Amounts Budgeted for Direct Administration of the Chapter 2 Program[a]

	FY 1982		FY 1985	
	Amount	Percent	Amount	Percent
Alabama	$ 182,000	23.8	$ 297,240	19.2
Alaska	184,000	42.1	264,000	53.4
Arizona	95,000	18.6	199,959	32.6
Arkansas	206,843	23.7	261,748	26.3
California	489,662	6.1	126,121	1.4
Colorado	317,474	30.4	294,625	23.7
Connecticut	150,000	13.3	100,000	8.4
Delaware	2,000	0.5	59,330	12.0
District of Columbia	173,152	40.0	122,372	25.0
Florida	445,905	14.0	525,423	22.4
Georgia	175,000	8.1	225,000	9.1
Hawaii	56,645	13.0	50,000	10.2
Idaho	126,000	28.8	75,000	15.2
Illinois	558,624	13.2	715,739	15.3
Indiana	184,790	8.7	66,975	2.6
Iowa	224,380	21.1	179,839	15.2
Kansas	145,050	17.6	152,412	16.1
Kentucky	342,955	24.3	223,903	14.1
Louisiana	493,000	28.8	420,000	21.1
Maine	121,965	27.9	110,000	22.2
Maryland	62,291	4.0	30,000	1.8
Massachusetts	316,944	15.6	252,510	11.8
Michigan	200,000	5.5	314,400	8.1
Minnesota	339,525	22.3	216,414	12.9
Mississippi	224,385	21.2	225,000	18.5
Missouri	•	•	135,387	7.0
Montana	51,000	11.7	90,000	20.5
Nebraska	•	•	•	•
Nevada	87,637	20.0	74,202	15.0
New Hampshire	26,172	6.0	70,000	14.2
New Jersey	502,483	18.6	272,385	9.3
New Mexico	127,000	23.8	94,771	15.1
New York	436,714	7.0	567,000	8.3
North Carolina	552,694	25.0	500,000	23.3
North Dakota	70,000	16.0	86,570	17.5
Ohio	200,000	4.9	185,845	4.2
Oklahoma	195,066	17.8	159,558	11.8
Oregon	74,509	8.0	51,464	4.9
Pennsylvania	377,398	10.4	250,028	6.4
Rhode Island	164,000	37.5	79,832	16.1

	FY 1982		FY 1985	
	Amount	Percent	Amount	Percent
South Carolina	$205,526	16.6	$180,716	12.7
South Dakota	40,000	9.1	70,000	14.2
Tennessee	61,000	3.6	90,201	4.7
Texas	400,000	7.2	308,000	5.5
Utah	61,779	10.0	0	•
Vermont	128,703	29.4	114,310	23.1
Virginia	35,016	1.8	12,250	0.6
Washington	64,000	4.4	190,403	12.5
West Virginia	84,390	11.6	209,594	25.0
Wisconsin	162,600	9.1	68,194	3.5
Wyoming	29,994	6.9	172,122	34.8
Puerto Rico	776,640	50.0	923,926	50.0
Total	**$10,731,211**		**$10,463,765**	
Average	$214,624	12.9	$205,172	11.3
(Number of states included in average)	(50)		(51)	

[a]The Department of Education defines administration of Chapter 2 to include private school activities as well as other administrative costs, in accordance with Public Law 97-35, Education Consolidation and Improvement Act of 1981, Title V, Subtitle D, Chapter 2, Section 564(a)(3)).

Source: Department of Education data on administration are based on states' FY 1982 and FY 1985 applications.

Nationwide Data on State Boards' Use of Chapter 2 Funds in 1984

State	Use of Chapter 2 funds by state boards	
	Amount	Activity description
Alabama	$0	
Alaska	0	
Arizona	[a]	
Arkansas	0	
California	84,297	Includes staff salaries.
Colorado	9,067	State board travel.
Connecticut	0	
Delaware	[a]	
Florida	0	
Georgia	0	
Hawaii	[a]	
Idaho	[b]	
Illinois	0	
Indiana	0	
Iowa	0	
Kansas	0	
Kentucky	0	
Louisiana	0	
Maine	0	
Maryland	18,000	Joint meeting of state and local board members.
Massachusetts	5,000	To expand the number and locations of meetings throughout the state.
Michigan	[a]	
Minnesota	0	
Mississippi	0	
Missouri	[a]	
Montana	0	
Nebraska	[a]	
Nevada	[a]	
New Hampshire	[b]	
New Jersey	10,000	For attendance at meetings, guest speakers at board meetings, and annual retreat.
New Mexico	[a]	
New York	0	
North Carolina	0	
North Dakota	[a]	
Ohio	0	
Oklahoma	[a]	
Oregon	0	
Pennsylvania	[a]	

State	Use of Chapter 2 funds by state boards	
	Amount	Activity description
Rhode Island	$0	
South Carolina	[a]	
South Dakota	0	
Tennessee	0	
Texas	[b]	
Utah	[a]	
Vermont	0	
Virginia	[a]	
Washington	0	
West Virginia	[a]	
Wisconsin	[c]	
Wyoming	[a]	
No. Mariana Islands	2,402	For 1984 board meeting.

[a]No response.

[b]These states are not NASBE members.

[c]Wisconsin does not have a state board of education.

Source: Survey conducted by NASBE. Total of 31 respondents.

List of Activities According to Categories Provided by Congressional Requesters

California	Washington
Technical assistance	
Conduct workshops & disseminate standards (also support services)	General advisory role on financial matters; provide LEAs with projection of revenues
Provide technical assistance to schools	Responsible for policy-setting & dissemination of information (such as curriculum guidelines) for several federal programs (also monitoring & oversight and curriculum development)
Coordinate with private schools; conduct workshops; develop handbooks on computers and extended education (also support services)	Provide information and workshops regarding learning resources, such as computers
Conduct workshops on student achievement and parenting programs	Liaison between federal, state, & local education agencies and private schools (also support services)
Conduct conferences on school safety; hold workshops on guidance & counseling and attendance improvement	Communication and coordination throughout the agency; explore ways to improve internal & external communication and clarify roles (also support services and administrative costs)
Provide support for LEAs on general fiscal policy and activities relevant to staff development	Provide technical assistance to LEAs on data base management
Provide technical assistance to LEAs on evaluations & assessment guidelines	Prepare descriptive evaluation reports of various programs; responsible for state testing program; act as liaison with other education programs (also monitoring & oversight)
Provide documents on high risk youth to LEAs	Help LEAs complete applications
Provide technical assistance	
Support services	
Conduct workshops & disseminate standards (also technical assistance)	Liaison between federal, state, & local education agencies and private schools (also technical assistance)
Develop handbook on assisting educators in implementing computer programs	Communication and coordination throughout the agency; explore ways to improve internal & external communication and clarify roles (also technical assistance and administrative costs)
Coordinate with private schools; conduct workshops; develop handbooks on computer and extended education (also technical assistance)	Help LEAs with program design
Define area & type of services needed	
Prepare handbooks on guidance & counseling and attendance improvement	
Access resources, support state technical assistance network, & coordinate collaboration	
Arrange conferences regarding high risk youth	

California	Washington
Administrative cost	
Administer state teacher centers	Provide budget planning and financial management assistance to LEAs, conduct audits, etc.
Supervision of staff	Distribute all federal & state aid to LEAs
Develop & review applications; distribute funds for programs	Gather statistics
Administration of the high risk youth unit	Communication and coordination throughout the agency; explore ways to improve internal & external communication and clarify roles (also technical assistance and support services)
Distribute federal and state funds to LEAs	Provide training sessions & disseminate required forms
	Prepare end-of-year report to state advisory committee; assist with formula for LEAs
	Coordinate with private schools
Monitoring and oversight	
Research school effectiveness of all federal & state programs (except the Chapter 1 program); conduct evaluations & assessments on LEAs	Review distribution of aid & ensure LEAs comply with state directives on salaries
Monitor LEAs that receive mini-grants	Responsible for policy-setting & dissemination of information (such as curriculum guidelines) for several federal programs (also technical assistance and curriculum development)
Application review & compliance monitoring	Prepare descriptive evaluation reports of various programs; responsible for state testing program; act as liaison with other education programs (also technical assistance)
	Conduct on-site visits to LEAs
Curriculum development	
Develop model curriculum standards for 9-12	Responsible for policy-setting & dissemination of information (such as curriculum guidelines) for several federal programs (also technical assistance and monitoring & oversight)
Develop K-12 curriculum on computer studies	
Develop curriculum standards on parenting	
Develop expectancy standards	

Source: Interviews with SEA program officials.

Comparison of Studies on Washington's Chapter 2 Direct Administration Costs[a]

Organizational unit	1983-84 GAO data		1983-84 Washington evaluation report		1985 CCSSO survey	
	Amount	Percent of units' total funds	Amount	Percent of units' total funds	Percent	Percent of units' total funds
Executive Services						
State Board of Education	0	•	0	•	0	•
Financial Services						
School Finance	0	•	0	•	$15,550	5.0
School Apportionment	0	•	$ 18,598	7.8	0	•
Instructional Services						
Assistant Superintendent	0	•	27,672	25.0	25,097	22.5
Supplementary Education	$ 82,732	100.0	120,355	100.0	91,306	80.2
Learning Resources	14,873	25.0	0	•	19,661	27.9
Special & Professional						
Private Education	0	•	0	•	17,975	100.0
Administrative Services						
Personnel	0	•	0	•	0	•
Information & Computers	0	•	0	•	0	•
Education Planning & Evaluation	7,780	3.5	28,470	10.0	17,891	6.6
Total	**$105,385**		**$195,095**		**$187,480**	
(Percent of total Chapter 2 set-aside)	(9.1)		(12.8)		(12.8)	

[a]Each source used a slightly different definition of direct administration.

Sources: "GAO data" are based on the requesters' criteria for direct administration, Washington SEA program officials' descriptions of their activities, and SEA accounting records for 1983-84 (see pp. 22 and 23). "Washington Evaluation Report" data are from Washington's end-of-year report prepared for their state advisory committee entitled, ECIA Chapter 2: A Report on Washington State Leadership Activities (20%), 1983-84 (Jan. 1985). "CCSSO Survey" data are from the first of two surveys conducted by CCSSO on states' budgeted uses of Chapter 2 set-aside funds in 1985.

Summary of California SEA Accounting Records for Units Receiving Chapter 2 Funds (1983-84)

Organizational unit programs	Total amount[a]	State amount	Other federal amount	Chapter 2 Amount	Chapter 2 FTEs
Chapter 2 Advisory Committee	$ 28,678	•	•	$ 28,678	0.2
State Board of Education	323,273	$ 237,508	•	85,764	1.2
Curriculum & Instructional Leadership Branch:					
Curriculum Instruction Division:					
Science, lang. arts/fine arts, math, social science, foreign lang., phys. ed., & frameworks	2,421,287	1,091,480	$ 241,352	1,088,453	15.0
Technology education	627,191	•	•	627,191	6.4
Private schools	95,853	•	•	95,853	0.8
Curriculum Services Division:					
Parent Involvement	187,228	•	•	187,228	4.0
Environmental Ed, Health, Intergroup Relations Activity & Drivers Training	578,296	261,617	46,990	269,690	5.8
Instructional Support Division:					
School climate	757,584[b]	295,787	•	461,798	7.8
Staff development	1,272,410	638,871	•	633,540	6.5
School improvement, school leadership, categoricals, universities & colleges & higher ed/community	1,472,433	641,028	•	831,405	12.4
Regional Services Division	1,052,543	472,993	105,215	474,335	5.7
Research, Assessment & Evaluation	4,853,730	1,540,833	351,994	2,960,901	22.4
Specialized Programs Branch:					
High Risk Youth Services: Youth Core Unit	349,409	•	•	349,409	5.6
Administration Branch:					
Fiscal Services Division:					
Local Assistance Bureau	255,829	196,985	52,450	6,394	0.2[c]
Field Services Branch:					
Compliance & Grants Management Division	2,522,373	1,375,821	1,071,871	74,681	1.3[c]
Total Chapter 2 funds and FTEs				**$8,175,320**	**95.3**

[a]Figures do not add precisely across rows due to the balances in the "State Expenditure Revolving Fund Account" not yet allocated based on the fund split.

[b]Total includes reimbursable funds of $1,501 from the State Department of Justice.

[c]Accounting records indicated 0 FTEs for these two units, but program officials said these figures were not accurate. We estimated FTEs for these two units based on the proportion of Chapter 2 funding for the unit, which is the method generally used to determine the number of FTEs attributed to a given funding source.

Summary of Washington SEA Accounting Records for Units Receiving Chapter 2 Funds

Organizational unit programs	Total amount	State amount	Other federal amount	Chapter 2 Amount	Chapter 2 FTEs
Chapter 2 Advisory Committee	$ 1,851	•	•	$ 1,851	0
State Board of Education	154,930	$149,430	•	5,500	0
Financial Services:					
School Fiscal Resources:					
School financial services	313,289	10,941	$40,244	262,104	6.8
School apportionment services	190,385	6,284	•	184,101	5.0
Instructional Services:					
Office of the Ass't Superintendent	292,461	199,026	•	93,435	2.0
Programs, Resources, and Technology:					
Learning resources	59,493	•	•	59,493	1.5
Supplementary Education Programs:					
Chapter 2	82,732	•	•	80,881[a]	1.8
Special and Professional Services:					
Private Education	58,224	44,569	•	13,655	0.5
Administrative Services:					
Personnel/Special Projects:					
Personnel	122,720	•	•	122,720	5.0
Information Resources Management:					
Information and computer services	308,635	202,805	•	105,830	3.0
Testing and Evaluation:					
Education planning and evaluation	333,115	96,995	13,840	222,280	6.4
Subtotal of Chapter 2 funds and FTEs				**$1,151,850**	
Indirect costs charged during 1983-84[c]				7,472[c]	
Total Chapter 2 funds and FTEs				**$1,159,322**	**31.9[b]**

[a]Amount spent within this unit for "State Advisory Workshop Expense"—$1,851—is not included in Chapter 2 amount for the unit. Instead, the amount is listed above for the Chapter 2 Advisory Committee.

[b]FTEs do not add exactly due to rounding.

[c]We calculated $339,681 in total indirect costs to be charged to Chapter 2 based on direct charges and the unapproved indirect cost rate for 1983-84 of 29.49%. The budget officer told us these funds would be charged to Chapter 2 during 1984-85.

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